

OPENING STATEMENT

Corporate Accounting Practices: Is There Credibility GAAP?

Subcommittee on Capital Markets, Insurance and Government Sponsored Enterprises

5/1/02

Rep. Stephanie Tubbs Jones

Good Morning, Chairman Baker, Vice Chairman Ney, Ranking Member Kanjorski and Members of this Subcommittee. Mr. Chairman, I ask unanimous consent that my full statement be included in the Record.

Since the collapse of Enron and Global Crossing, we in the Financial Services Committee have heard countless hours of testimony regarding accounting rules and regulations. We now understand how critical accounting standards are in keeping the capital markets efficient. We now know that millions of American investors rely on these standards in order to make decisions that will directly impact their financial well-being and decide the futures of generations to come. And we are now painfully aware of what happens when corporations learn how to manipulate and bend these accounting rules.

Today we will hear testimony from, among other people, Betty Montgomery who is the Attorney General from my home state - the great State of Ohio. In Ohio, investors from the Ohio Public Employees Retirement System and the State Teacher Retirement

System lost a combined \$115 million dollars as a direct result of the accounting improprieties of Global Crossing and Enron.

The State of Ohio is not alone in this debacle. Ms. Montgomery has had to resort to filing a class action lawsuit in conjunction with Attorneys General from the states of Georgia and Washington in order to act as co lead plaintiffs in what has become a nationwide lawsuit against Global Crossing and its accountant Arthur Andersen LLP. And why has it come to this? Part of the reason is because somewhere imbedded in the volumes of rules and regulations that have become GAAP, the original purpose of these rules has been lost.

It is usefull that we are exploring the impact, or lack thereof, of the GAAP rules and regulations with regard to presenting a standard format for corporations to use to present financial information. Moreover, I hope that this subcommittee, and the Financial Services Committee in full, will continue to explore and scrutinize the rules and regulations that might have allowed Enron to drive itself into the ground and take millions of dollars from hard working Americans with it.

Mr. Chairman, I thank you for my time.